

**REPORT OF THE AUDIT OF THE  
MADISON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Kent Clark, Madison County Judge/Executive  
Honorable Billy Gabbard, Madison County Clerk  
Members of the Madison County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Clerk of Madison County, Kentucky, for the year ended December 31, 2003.

We engaged Ross & Company, PLLC to perform the audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Madison County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
MADISON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**

**ROSS & COMPANY, PLLC**  
**Certified Public Accountants**  
800 Envoy Circle  
Louisville, KY  
Telephone (502) 499-9088  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MADISON COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

Ross & Company, PLLC has completed the Madison County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Madison County Clerk had total receipts of \$15,287,784, which was a \$1,029,858 increase from the prior year. Except for reimbursed expenses in the amount of \$32,942 and fiscal court contributions of \$4,590, the Clerk paid 25% of receipts to the Madison County Fiscal Court in the amount of \$366,368. This was an increase of \$144,631 from the prior year. In addition, disbursements increased by \$251,216.

#### **Debt Obligations:**

Capital lease principal agreements totaled \$9,403 as of December 31, 2003.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities or bonds.





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The Honorable Kent Clark, Madison County Judge/Executive  
Honorable Billy Gabbard, Madison County Clerk  
Members of the Madison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Madison County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable Kent Clark, Madison County Judge/Executive  
Honorable Billy Gabbard, Madison County Clerk  
Members of the Madison County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Madison County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive, flowing style.

Ross & Company, PLLC

Audit fieldwork completed -  
January 31, 2005

MADISON COUNTY  
 BILLY GABBARD, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Grants		\$	25,426
State Fees For Services			22,461
Fiscal Court			4,590
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,595,547	
Usage Tax		7,308,563	
Tangible Personal Property Tax		4,716,266	
Lien Release Fees		18,354	
Notary Fees		8,088	
Licenses-			
Fish and Game		11,696	
Marriage		22,908	
Occupational		3,109	
Other		1,744	
Deed Transfer Tax		286,318	
Delinquent Taxes		<u>615,986</u>	14,588,579
Fees Collected for Services:			
Recordings-			
Deeds and Powers of Attorney	\$	51,942	
Real Estate Mortgages		224,648	
Chattel Mortgages and Financing Statements		201,793	
Releases		69,861	
Liens		10,269	
All Other Recordings		17,186	
Charges for Other Services-			
Candidate Filing Fees		4,958	
Copywork		<u>26,744</u>	607,401
Other:			
Miscellaneous			23,717
Interest Earned			<u>15,611</u>
Total Revenues		\$	15,287,785

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
 BILLY GABBARD, COUNTY CLERK  
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,199,142	
Usage Tax	7,088,468	
Tangible Personal Property Tax	1,350,393	
Licenses, Taxes, and Fees-		
Fish and Game	11,228	
Delinquent Tax	85,066	
Legal Process Tax	68,547	\$ 9,802,844

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 322,756	
Delinquent Tax	25,772	
Deed Transfer Tax	272,002	
Occupational Licenses	2,649	623,179

Payments to Other Districts:

Tangible Personal Property Tax	\$ 2,851,397	
Delinquent Tax	354,970	3,206,367

Payments to Sheriff 5,830

Payments to County Attorney 91,517

Operating Expenditures:

Contracted Services-

Libraries and Archives Grant Expensed \$ 25,426

Materials and Supplies-

Office Supplies 140

Other Charges-

Clerk's Insurance and Bonds 30

Refunds 20,782

Miscellaneous 8,848 55,226

Total Expenditures \$ 13,784,963

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
BILLY GABBARD, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

Net Revenues		\$	1,502,822
Payments to State Treasurer:			
75% Operating Fund	\$	1,136,454	
25% County Fund		<u>366,368</u>	<u>1,502,822</u>
Balance Due at Completion of Audit		<u>\$</u>	<u>0</u>

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
 BILLY GABBARD, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,136,454		1,136,454
Fees Paid to State - County Funds (25%)		366,368	366,368
Total Funds Available	<u>\$ 1,136,454</u>	<u>\$ 366,368</u>	<u>\$ 1,502,822</u>
<u>Expenditures</u>			
Payments to Madison County Fiscal Court	\$	\$ 366,368	\$ 366,368
Personal Services-			
Clerk's Statutory Maximum	72,861		72,861
Clerk's Expense Allowance	3,600		3,600
House Bill 810 Training	759		759
Deputies' Salaries	687,251		687,251
Employee Benefits-			
Employer's Share Social Security	53,255		53,255
Employer's Share Retirement	52,085		52,085
Employer's Paid Health Insurance	70,820		70,820
Contracted Services-			
Notary Fees	60		60
Election Expenses	3,904		3,904
Office Repairs and Upkeep	13,048		13,048
Equipment Maintenance	13,690		13,690
Preparing Tax Bills	10,960		10,960
Miscellaneous Insurance	36,343		36,343
Supplies and Materials-			
Office Supplies	55,186		55,186

The accompanying notes are an integral part of the financial statements.



MADISON COUNTY  
 BILLY GABBARD, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-			
Bank Charges	\$ 31	\$	\$ 31
Books and Maps	31,974		31,974
Conventions and Travel	4,908		4,908
Dues	2,645		2,645
Postage	23,636		23,636
Miscellaneous Expense	35,748		35,748
Capital Outlay-			
Office Equipment	344		344
Computer Equipment & Software	103,386		103,386
Total Expenditures	<u>\$ 1,276,494</u>	<u>\$ 366,368</u>	<u>\$ 1,642,862</u>
Fund Balance - December 31, 2003	<u>\$ (140,040)</u>	<u>\$ 0</u>	<u>\$ (140,040)</u>

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003  
(Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

MADISON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2003  
(Continued)

Note 4. Grant

The former County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives. The unexpended balance at the beginning of the year was \$25,406. Funds totaling \$25,426 were expended and \$20 of interest was earned during the year. The unexpended grant balance was \$0 as of December 31, 2003.

Note 5. Lease

The office of the County Clerk was committed to a lease agreement with American Technologies, Inc. for a computer system. The agreement requires a monthly payment of \$376 for 36 months to be completed on February 26, 2006. The total balance of the agreement was \$9,403 as of December 31, 2003.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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The Honorable Kent Clark, Madison County Judge/Executive  
Honorable Billy Gabbard, Madison County Clerk  
Members of the Madison County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Madison County Clerk for the year ended December 31, 2003, and have issued our report thereon dated January 31, 2005. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Madison County Clerk's financial statements for the year ended December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Madison County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report on Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC

Audit fieldwork completed -  
January 31, 2005



